

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 5863

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EAIR, BR

SUBJECT: PANAM REMITTANCE PROBLEM

REF: A) STATE 228675, B) BRASILIA 5519, C) BRASILIA 4350,
D) BRASILIA 9997 AND OTHERS

1. SUMMARY. IN DISCUSSIONS WITH EMBASSY OVER PAST FEW MONTHS, PANAM HAS IDENTIFIED CENTRAL BANK'S MONTHLY AUDIT/REMITTANCE PROCEDURE AS THE CENTRAL PROBLEM CURRENTLY FACING IT WITH RESPECT TO ITS FINANCIAL OPERATIONS IN BRAZIL. CENTRAL BANK MANAGEMENT IS SYMPATHETIC TOPANAM'S ARGUMENT, AND IS VEXED BY BANK'S SLOW INTERNAL STAFF WORK. IT IS LIKELY THAT MORE FREQUENT REMITTANCES WILL BE GRANTED SOME TIME IN THE NEXT SEVERAL MONTHS. END SUMMARY.

2. DURING PAST MONTHS, SINCE REFTEL A, EMBASSY HAS HAD SEVERAL DISCUSSIONS WITH PANAM REPS ON THE COMPANY'S STATUS OF THE DISCRIMINATION COMPLAINT/REMITTANCE PROBLEM. PANAM REPS PERKINS AND HALE CALLED ON ECON/COMM COUNSELOR FOR DISCUSSION OF ISSUES ON OCTOBER 10 AND PANAM ASSISTANT TREASURER REDPATH, DURING VISIT TO BRASILIA,
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NOVEMBER 17. ECON COUNSELOR AND FINANCE ATTACHE RAISED THE PROBLEM ON SEVERAL OCCASIONS WITH OFFICIALS OF CENTRAL BANK, INCLUDING FERNAO BRACHER, DIRECTOR FOR EXTERNAL OPERATIONS, WITHIN WHOSE JURISDICTION THIS MATTER FALLS. IN RESPONSE TO COUNSELOR'S REQUEST THAT PANAM MAKE WRITTEN SUBMISSION PROVIDING UPDATE OF PANAM'S CONCERNS, PANAM (REDPATH), ON DECEMBER 22, PROVIDED ANALYSIS OF

PANAM'S OVERSEAS CASH BALANCES AND A COPY OF THE US AIR TRANSPORT ASSOCIATION'S COMMENTS ON THE CAB'S PROPOSED RULE ON CURRENCY MATTERS (COPY OF PANAM SUBMISSION BEING POUCHED).

3. CURRENT PANAM CONCERN, AS PRESENTED BY REDPATH, CENTERS ON WHAT PANAM CONSIDERS THE RELATIVELY LARGE BALANCES WHICH THE COMPANY IS REQUIRED TO CARRY AS A RESULT OF THE CENTRAL BANK'S MONTHLY AUDIT/REMITTANCE PROCEDURE. PANAM BALANCES IN BRAZIL AVERAGE ON THE ORDER OF \$1.5 MILLION AND JUST BEFORE REMITTANCE IS ALLOWED, NORMALLY REACH \$2.5-3.0 MILLION, WHICH ACCORDING TO PANAM'S SUBMISSION, REPRESENTS ROUGHLY 10 PERCENT OF PANAM'S TOTAL BALANCES OUTSIDE THE US. COMPANY'S PRINCIPAL OBJECTIVE, THEREFORE, AT THIS POINT IS TO OBTAIN THE RIGHT TO REMIT FUNDS FREELY, WITHOUT PRIOR AUDIT.

4. CENTRAL BANK OFFICIALS ARE SYMPATHETIC TO PANAM'S CONCERNS AND ACKNOWLEDGE THAT THERE HAVE BEEN COMPLAINTS FROM OTHER AIRLINES. BRACHER TOLD ECON COUNSELOR AND FINATT SOME TIME AGO THAT HE WISHED TO CHANGE THE RULES ON A "GLOBAL" BASIS, WHICH HE CONSIDERS OBSOLETE AND INAPPROPRIATE TO TRANSPORTATION COMPANIES, BUT THAT HE CANNOT MAKE AN EXCEPTION AND GRANT PANAM A SPECIAL EXCHANGE REGIME. HE SAID THE PROBLEM IS BEING WORKED ON LIMITED OFFICIAL USE

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WITHIN THE CENTRAL BANK BUT SO FAR THERE HAD BEEN NO ACTION.

5. FINATT CALLED AT CENTRAL BANK AGAIN ON JANUARY 5, 1978 AND CONVEYED THE SUBSTANCE OF PANAM'S SUBMISSION (PARA 3) TO LUIZ BARBOSA, SPECIAL ASSISTANT TO BRACHER, WHO WAS ON LEAVE. BARBOSA SUBSEQUENTLY SPOKE WITH BRACHER AND REPORTED TO FINATT ON JANUARY 27 THAT BRACHER HAS DIRECTED THE CENTRAL BANK'S FOREIGN EXCHANGE OFFICE TO PREPARE DOCUMENTATION THAT WILL RESOLVE THE REMITTANCE MATTER QUOTE IN THE VERY NEAR FUTURE END QUOTE. BARBOSA EXPLAINED THAT MANY OTHER AIRLINES (HE SPECIFICALLY MENTIONED IBERIA AND LUFTHANSA) ALSO HAVE LODGED COMPLAINTS. BRACHER REPORTEDLY WANTS DEFINITIVE PROVISION FOR READY AND FREQUENT REMITTANCES. DELAYS IN PROGRAMMING THE FULL DOCUMENTATION FOR CHANGES IN EXISTING REGULATIONS HAVE BECOME AN EMBARRASSMENT TO THE CENTRAL BANK, SAID BARBOSA, AND BRACHER IS DETERMINED TO ISSUE NEW PROCEDURES SOON, EVEN IF IT IS NECESSARY TO DO SO ON A PROVISIONAL BASIS, PENDING PERMANENT MODIFICATION OF THE LEGAL PROVISIONS INVOLVED.

6. BASED ON BARBOSA'S REPORT, IT APPEARS
THAT THE CENTRAL BANK FINALLY WILL TAKE ACTION ON
THIS LONG PENDING ISSUE. WE CONSIDER IT LIKELY THAT
MORE FREQUENT REMITTANCES WILL BE GRANTED SOME
TIME IN THE NEXT SEVERAL MONTHS. CRIMMINS

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